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Tiedemann Advisors Navigates Through Pandemic's Choppy Waters

By **Christopher Robbins**

FEW FINANCIAL PROFESSIONALS COULD HAVE seen the Covid-19 outbreak coming – but the co-founders of Tiedemann Advisors found themselves prepared nonetheless.

As the outbreak spread, Tiedemann Advisors found itself adjusting to the new work-from-home realities and adapting to embrace investment and planning opportunities for its high-net-worth and ultra-high-net-worth clients, said firm CEO Michael Tiedemann. Technology has been key to surviving the disruption, he explained.

"Everyone in our firm is healthy, and all of our clients are healthy, which is obviously very important," said Tiedemann in a recent interview with Financial Advisor. "As a firm and for several years now, we have really been seeking out the best technology and implementing systems to allow us to work from throughout the country. It's been a big investment of ours across the firm. We've been able to operate without any issues remotely."

Tiedemann said that the firm implemented technology to coordinate the firm's efforts nationally and internationally across its nine offices.

"In some ways we're very accustomed to working apart from each other and collaborating on projects or client work," said Tiedemann. "The investment was really to service our business in normal time, but boy are we feeling the cause and effects of that today. We feel like we're getting paid back."

Tiedemann Advisors was founded in 1999 as Tiedemann Trust Company by Michael Tiedemann's father, Carl. The elder Tiedemann was founder of Tiedemann Investment Group, a multimanager hedge fund. With his son and Craig Smith, a trust and estate lawyer at J.P. Morgan & Co., as partners, Tiedemann Trust sought to create an open architecture firm with a flexible investment model. The firm's advisory arm began operations in January 2008.

Tiedemann Advisors has grown into one of the largest privately held wealth managers in the U.S. as the firm's leadership was transferred into the hands of Smith and the younger Tiedemann in 2012, with a few strategic acquisitions and partnerships serving as catalysts. The firm now has $22 billion in assets under advisement and $17 billion AUM, with offices in San Francisco; Portland, Ore.; Aspen, Colo.; Dallas; Wilmington, Del.; Seattle; Palm Beach, Fla.; Bethesda, Md.; and New York.

As Tiedemann's president, Smith oversees strategy, advisors and the client experience.

"At first, when it was starting to look serious, our first focus was on our employees – we focused internally," Smith said of the firm's response to the pandemic. "We wanted to make sure we could operate fully, that each person had the systems and technology to work remotely so that there would be no differences between different employees."

Among Smith's first tasks were to ensure employees and clients that Tiedemann itself would be able to weather the pandemic.

"We're really trying to understand their anxiety right now in general, about health, about what the world will look like when this crisis ends," said Tiedemann. "The last thing we need employees to feel is any anxiety about their status in our firm. We always have discipline. We can cover our balance sheet, we have very good financials, and we do that so we can survive at times like this."

The outbreak has prompted a few changes. For example, Smith has implemented weekly communications from the firm's senior management discussing achievements and happenings so that information keeps flowing while Tiedemann's offices are closed.

Growth, Well-Timed

Some of the opportunistic growth Tiedemann has engaged in since its inception helped prepare it for the crisis. Over the first 16 years of its history, the firm grew organically by recruiting, training and grooming younger talent and garnering referrals from clients and a growing network of centers of influence. That work has continued during the Covid-19 crisis.

"We're still active in meeting new prospects and continuing discussions with existing prospects," said Smith. "A lot of movement is still happening. Even with the shutdowns, there's money in motion, surprisingly."

When it comes to inorganic growth, Tiedemann has proceeded cautiously. In 2016, it merged with Presidio Capital Advisors. A year later it merged with Threshold Group, which brought impact investing expertise and female leadership to

Tiedemann. Last year, Tiedemann opened a new Portland, Ore., office with two advisors from its Seattle location after opening its Aspen, Colo. Office in 2018.

Tiedemann says he looks for deals with strong alignment of interests, a lot of equity involved in the transaction and a long-term orientation. “We don’t want to just pay people to retire,” he said.

Also in 2019, Tiedemann Constantia was created as a partnership between Tiedemann Advisors and Zurich-based Constantia Partners AG. Tiedemann believes that a European footprint can help the firm capture the growing number of international assets moving into the U.S. As Switzerland reformed its financial laws to create more transparency, the Delaware-domiciled Tiedemann Trust Company’s offerings have become more attractive to Europeans, he said. The firm’s growing focus on impact investing also creates a synergy with an extant demand from Europe.

Responding To The Opportunities

Moving into the crisis, Tiedemann had already positioned client portfolios more conservatively, said Tiedemann, but market movement has allowed the firm to be more opportunistic when managing client money. As equity valuations declined in the U.S. relative to the rest of the world in February and March, client portfolios were rotated into U.S. businesses with strong balance sheets.

Tiedemann said he’s taking advantage of the likelihood that businesses who are able to survive the outbreak will emerge with larger market share. He said he’s also looking for similar opportunities within credit markets to capture “the largest, most robust stimulus environment we’ve ever seen.”

Another area of opportunity resides within real estate, said Tiedemann.

“For years private real estate was less expensive than public real estate,” said Tiedemann. “The REITs were sold off, though, and like any other entity that had some leverage, they were sold off heavily. In some cases, we thought that was well overdone, particularly certain REITs along the lines of businesses that have cell towers or other technological applications. The entire REIT universe was hit together, and the discount for private REITs inverted, so we took advantage of that.”

One of Tiedemann’s strategic partnerships has proved extremely timely. Earlier this year, cash management specialist StoneCastle Cash Management partnered with Tiedemann to offer FICA Impact, a strategy that allocates cash to community banks, which can then deploy the funds as loans and community reinvestment programs. Community banks are expected to play a key role in the economic recovery to come.

StoneCastle is able to distribute cash assets across 700 FDIC insured community banks, said Tiedemann, allowing high-net-worth clients access to an insured cash solution that can meet their needs.

Tiedemann has also found planning opportunities in the crisis, said Smith. The firm uses a team of 10 wealth planners to serve its client families, who consult the firm’s teams of experts, including attorneys, accountants, tax experts and trust specialists, all working in tandem with investment professionals.

“There are several opportunities to do significant income and transfer tax planning in this environment, primarily due to historically low interest rates and what we think are temporarily depressed asset values,” said Smith. “Renegotiating and/or making new intra-family loans, establishing new or saving unsuccessful Grantor Retained Annuity Trusts, and entering into estate freeze transactions with family trust or LLC structures are just a few of the more popular strategies. We are also working with clients on their retirement accounts as some of the rules and/or requirements have been changed for 2020.”

Tiedemann’s clients seem to have more “time on their hands to engage with us and pursue issues and projects they might normally put off,” including issues related to tax and estate planning, philanthropy and impact investing. The temporary removal of limitations on charitable deductions, made possible by the recently passed CARES Act, offers a unique opportunity to give, he said.

“There’s no question the recent market downturn is reinforcing the positive characteristics of impact investing,” said Tiedemann. “We’ve seen tremendous growth in that area from new clients and existing families that have shifted their mandates, however, it’s still a little early to give a definitive answer on whether Covid spurred an increase in demand for impact. Having said that, we would be surprised if it didn’t accelerate the trend. ESG assets have held up better, largely due to no energy exposure and investments in high-quality, sustainable-oriented business that will perform better over time.”

High Level Client Care

Tiedemann also engages in frequent outreach with its client families to make sure they are well-educated and informed about the world, and to assure them that opportunities are being embraced, Tiedemann said. The approach helps during volatility, as educated clients know that downturns can be used constructively.

“We don’t believe that these windows of opportunities, including those for wealth planning, should be allowed to pass by,” said Tiedemann. “We’ve always been fully integrated, with investment teams and fiduciary counselors working with families together and integrating consistently together. It’s important to be coordinated.”

The firm has been providing a steady stream of content for advisors to share with their clients on both economic and investment topics as well as wealth planning topics. A weekly webinar for clients offers them information on different wealth planning strategies, said Smith, like how advisors can help clients take advantage of lower interest rates. The webinars include philanthropic, cybersecurity, geopolitical and economic topics as well.

“We’ve also discussed topics on the pandemic itself and what it means to economies and governments around the world,” said Smith. “We’re having a tax specialist come speak to us. We try to offer a large variety of content.”

Tiedemann is also serving 64 foundation and tax-exempt clients, with $1.6 billion of foundation assets under management, $1.2 billion of which resides in impact strategies.

“Among our client base, our private foundations, privately operating foundations and public charities, most of them are accelerating their giving for the year, especially private foundations and privately operating foundations,” said Smith.

"they are sharpening their mandates and are very much focused on the Covid-affected elements of their existing mandates and missions."

Most foundations also pivoted quickly to address the pandemic by converting programmatic grant dedicated to specific activities to general operating support, and assured grantees that multi-year commitments would persist, said Smith.

The firm is engaging on its own philanthropic efforts, said Tiedemann. Two years ago, it established a corporate charitable budget, organized by location, which has already been used to aid relief and recovery efforts related to Hurricane Harvey's flooding in Texas and the Camp Fire in the northern San Francisco Bay area.

"Across our offices, there's been a history of contributing to local efforts, and we accelerated that part of our budget and encouraged our offices to go ahead and determine where they wanted to allocate, and also encouraged them to offer the opportunity to our clients if they wanted to go in and give along with our efforts," said Tiedemann. "It was something we could control but also ultimately help with important assistance at a time when our communities are being devastated."

A Changing World

While Tiedemann could theoretically function indefinitely while on lockdown, current plans are to reopen offices at the beginning of June, if possible.

But the industry it belongs to could take much longer to recover and emerge looking very differently. Tiedemann believes that the consolidation trend in the industry will pause only temporarily, and then potentially accelerate again.

"I would expect that smaller firms continue to seek to join or be bought out by some other firms, but what will change the way that buyers view valuations for the industry," said Tiedemann. "Right now, we're in a period of reflection. The acquisition environment got ahead of itself in the past year or two, from a valuation standpoint. That will now probably revert back to a more reasonable valuation level, and then there will be a resumption of activity."

Smith said that because financial, investment and wealth management firms have all engaged in different responses to the crisis, with different ways of handling employees and clients, there's likely to be an increase in people moving from firm to firm.

And in the high- and ultra-high-net-worth space, there has been a steady increase in single-family offices being formed in recent years, according to Tiedemann. That growth is being driven by families seeking a more comprehensive range of financial services from a single source and wanting more direct control over their financial futures.

"In some form, family offices are evolving into multifamily offices, or firms that perhaps recognize that they could use a partner firm like ours," said Tiedemann. "That has become an area of recent growth for us. We recognize that we can expand their capabilities, save them money and offer them more opportunities to share with their clients."

Advisors and clients alike have adjusted to using technology to work with each other, said Tiedemann, and some of the tools they've adopted will have staying power.

"It's not an unexpected shift for this environment, but for the industry, we've seen an unexpected embrace of video conferencing and video meetings with clients," said Tiedemann. "I just had an annual meeting with one of our families, and they were all surprised at how satisfying it was. People are seeing that it can work, a personal connection can be forged, and they're understanding in a green way all the travel that's been eliminated through working online."

But with the tools in place, in the near term, Tiedemann is focusing on supporting its employees and clients, with its eyes towards continued growth in the long-term.

"We continue to be defined by our core values: Permanence and diversity," said Smith. "Every decision we make is to build an organization that goes beyond our lifetimes, and that continues to serve our clients." PW